



HENDERSON HUTCHERSON & McCULLOUGH, PLLC

CERTIFIED PUBLIC ACCOUNTANTS

System Review Report

To the Owners of
Baxley & Associates, LLC
and the Peer Review Committee of the Society of Louisiana CPAs

We have reviewed the system of quality control for the accounting and auditing practice of Baxley & Associates, LLC (the Firm) in effect for the year ended May 31, 2010. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants. The Firm is responsible for designing a system of quality control and complying with it to provide the Firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and the Firm's compliance therewith based on our review. The nature, objectives, scope, limitations of, and the procedures performed in a System review are described in the standards at www.aicpa.org/prsummary.

As required by the standards, engagements selected for review included engagements performed under *Government Auditing Standards*.

We noted the following significant deficiencies during our review:

1. Deficiency - The Firm's quality control policies and procedures require that working papers contain adequate documentation to support the auditor's opinion. In several audits reviewed, the audit documentation was not sufficient to enable an experienced auditor having no previous connection to the audit to understand the procedures performed, results of the procedures, audit evidence obtained and conclusion reached as required by professional standards.

Recommendation - The Firm should ensure that all working papers include adequate documentation to allow an experienced auditor to understand the procedures performed and the conclusions reached from audit procedures performed.

2. Deficiency - The Firm's quality control policies and procedures require a cold review of financial statements prior to issuance. However, our review identified an audit engagement subject to *Government Auditing Standards* with omitted disclosures and presentation errors in amounts that were material. These omitted disclosures and presentation errors will be corrected in the subsequent audit engagement.

Recommendation - We recommend that the Firm perform a more careful review of financial statements prior to issuance.

In our opinion, as a result of the significant deficiencies described above, the system of quality control for the accounting and auditing practice of Baxley & Associates, LLC, in effect for the year ended May 31, 2010, was not suitably designed or complied with to provide the Firm with reasonable assurance of performing and/or reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency* or *fail*. Baxley & Associates, LLC has received a peer review rating of *fail*.

Chattanooga, Tennessee
October 22, 2010

Henderson Hutcherson
& McCullough, PLLC

BAXLEY AND ASSOCIATES, LLC

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Hugh F. Baxley, CPA/CVA/PFS/FCPA
Margaret A. Pritchard, CPA

Staci H. Joffrion, CPA

May 18, 2011

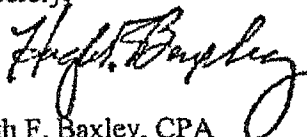
Peer Review Committee of
Society of Louisiana
Certified Public Accountants
2400 Veterans Blvd. Suite 500
Kenner, LA 70062

Ladies and Gentlemen:

This letter represents our response to the report issued in connection with the peer review of the firm's system of quality control for the accounting and auditing practice in effect for the year ended May 31, 2010. All issues have been brought to the attention of personnel at a meeting held on May 10, 2011. In addition, steps have been added to our monitoring procedures to review the deficiencies noted in the report so that they will not happen again.

1. We are completing a thorough review of our workpaper indexing and tickmarks involved in the preparation of audit documentation. Although the system appears quite apparent to us, the fact that colorcoding is utilized with tickmarks, etc. causes a problem when the workpapers are duplicated on a monocolored copier. We will modify the process to insure that it is more transparent and understandable to an independent reviewer. We are adding to each grouping of workpapers the purpose, source of information, criteria (if any) and conclusion.
2. We have presented to staff the importance of complete disclosures as required by Governmental Auditing Standards. We additionally emphasized the importance of all stages of the review process to assure that all disclosures are complete and that presentation errors are eliminated.
3. We would like to request an accelerated review.

Sincerely,



Hugh F. Baxley, CPA
Baxley & Associates, LLC



LCPA Peer Review Program
Administered in Louisiana by the
Society of Louisiana CPAs



AICPA Peer Review Program
Administered by the
Society of Louisiana CPAs

May 20, 2011

Hugh F Baxley, CPA
Baxley & Associates, LLC
58225 Belleview Dr
Plaquemine, LA 70764

Dear Mr. Baxley:

On December 14, 2010 the Society of Louisiana CPAs Peer Review Committee accepted the report on the most recent system peer review of your firm and your firm's response thereto.

The Committee accepted the aforementioned documents with the understanding that the firm will:

- ensure that all professional staff in your firm who work on accounting engagements participate in at least 16 hours of continuing professional education to include 8 hours in the area of non profits and 8 hours in the area of A-133 audits by 08/31/2011. Please send a letter to the Committee detailing the courses taken by each individual within thirty days of that date, along with proof of attendance at the courses. If you have taken CPE in this or similar areas in the previous six months, please contact the peer review department to determine if the course qualifies. Self study, webcasts or teleconferences will not satisfy this requirement.
- agree to permit an outside party, acceptable to the committee chairman, to perform a preissuance review of the reports, financial statements, and working papers on the next A-133 audit. You should not issue any A-133 audit reports prior to having a preissuance review of that engagement and a report of the findings submitted to the committee. We expect to receive the report of the preissuance review no later than August 31, 2011. If you are unable to meet that deadline, please contact us to provide an alternate date.
- You have indicated that you wish to have an accelerated review in lieu of the preissuance and revisit requirements. The committee has agreed that this would be acceptable, however, the purpose of the preissuance review and revisit to the firm is to ensure that the deficiencies are being corrected and the firm has taken action to prevent a second consecutive fail opinion. The Legislative Auditor and State Board of CPAs may impose restrictions on your firm if you receive a second consecutive fail or pass with deficiency report.

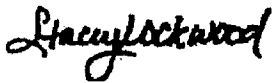
State Board Rule 46:XIX:1503.A5 provides that timely completion of a peer review of firms that have performed attest services (e.g., compilations, reviews, audits, agreed upon procedures, etc.) is required in order to maintain and renew a CPA firm permit to practice.

This review is not considered accepted until we receive the signed document. As defined in Interpretation 25-2 of the Standards the review will not be considered complete until the committee decides that the reviewed firm has performed the agreed-to corrective action(s) to the committee's satisfaction and the committee requires no additional corrective action(s) by the reviewed firm. This date is noted in a final letter from the administering entity to the reviewed firm.

Your firm's agreement to take this action voluntarily demonstrates its commitment to the objectives of the profession's practice-monitoring programs. Please acknowledge that agreement by returning a signed copy of this letter to us via email gsnyder@lcpa.org or fax 985-764-4345.

Please take a few minutes to complete and return the enclosed evaluation form concerning the administration of the peer review program. Your opinion is important to us.

Sincerely,
SOCIETY OF LOUISIANA CPAs



Stacey Lockwood
Peer Review Program Director
slockwood@lcpa.org 504 904-1136

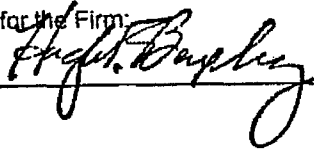
cc: Jack D London, CPA

Firm Number: 10098820

Review Number: 310423

Acknowledged for the Firm:

Signature: _____



Date: _____

5/23/2011